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C O N F I D E N T I A L SECTION 01 OF 02 JAKARTA 002598

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SUBJECT: CENTRAL SULAWESI - POSO: ECONOMIC RECOVERY KEY TO  
STABILITY

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Classified By: Pol/C Joseph Legend Novak, reasons 1.4 (b,d).

11. (U) This is a joint Surabaya - Jakarta message.

12. (C) Summary: While interlocutors describe the current security situation in Poso, Central Sulawesi, as "good," all agree that economic development is critical to Poso's stability. Extremists continue to eye Central Sulawesi's young and poorly educated population as fertile ground for recruitment. Government officials, community leaders, and NGOs are focusing their efforts on stimulating job growth, conducting vocational training, and offering micro-financing, while requesting additional funding for infrastructure projects. Continued concerns about security, the limits of subsistence farming, and the threats of illegal logging and fishing hamper economic growth. The Poso Regency has embarked on an investment campaign, aimed at drawing investment to the region. (Discussion of Poso political dynamics is reported septel.) End Summary.

Dependent on GOI funding  
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13. (C) During a September 4-7 visit to the Central Sulawesi towns of Palu and Poso, Surabaya Principal Officer, Public Affairs Officer, Pol/Econ Assistant, and Public Affairs Assistant met with local officials, community leaders, academics, journalists, and NGOs to discuss prospects for the region's future in the wake of inter-religious conflict. All of our interlocutors agreed that while the situation in Poso was "good," economic recovery was the key to the region's continued stability. Local officials are eager for President Yudhoyono to issue an "Inpres" (Presidential Instruction) aimed at accelerating economic development in Poso, similar to those issued previously for Aceh, Papua, and Maluku.

14. (C) According to Piet Inkiriwang, the Regent of Poso, the economy is improving, although the numbers reflect dependence on central government funding rather than economic development. Two years ago, Poso received Rp 50 billion (USD 5.3 million) in state funds from Jakarta. Poso now receives Rp 350 billion (USD 37.4 million), per year, and received an additional Rp 58 billion (USD 6.2 million) in special funding for Poso recovery. One activist complained, however, that the Coordinating Minister for Social Welfare Aburizal Bakrie

had earmarked funds for security and communication while the former Governor of Central Sulawesi had embezzled Rp 8 billion (USD 854,000) in funds earmarked for refugees. The Regent added that the Italian government had provided Rp 30 billion (USD 3.2 million) for Poso's economic recovery. Vice President Yusuf Kalla is reportedly financing construction of a power plant in Poso to address chronic electricity shortages.

15. (C) Dependence on government funding has had unanticipated consequences. Darlis Muhammad, a journalist for Tempo Magazine, related how the central government had provided funding to rebuild 70 schools. Unfortunately, the money was allocated based on costs in Jakarta. As prices are higher in Central Sulawesi due to increased transportation costs, the funding only allowed for construction of 60 schools. In another instance, according to the NGO KontraS, the Army built homes for Christian and Muslim refugees, but provided an additional Rp 4 million (USD 426) for each Muslim refugee. According to KontraS, this lingering perception of the government's unequal treatment of religious groups allows extremists to sow discontent and recruit sympathizers.

Poverty is the enemy  
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16. (C) Activists in Palu and Poso stressed that village residents had limited access to clean water, health care, and education. Maya, head of the Women's Solidarity Group claimed that 16 people had died recently of diarrhea in just one village. Other activists pointed to the need to focus on infrastructure development, noting that it took 13 hours to travel from Palu to the town of Morowali, 400 kms to the southeast. The director of the Central Sulawesi Children's Protection Agency related that the region's crippling poverty was making residents easy targets for traffickers as well as extremists. The Deputy Policy Chief in Poso listed illegal

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logging and illegal fishing ahead of terrorism on his list of areas of greatest concern.

17. (C) Brig. Gen. Badrotin Haiti, Chief of the Central Sulawesi Police (Kapolda), identified vocational training as a key component of combating extremism. He proudly displayed pictures from a recent Police-Regency joint program to train unemployed youths in mechanics and furniture making. Similarly, the Poso Regent claimed that 947 youths, who had received training in bomb making, were now unemployed and needed retraining. He said he had already written a letter to Microsoft's Chairman Bill Gates requesting his assistance to fund a vocational training center in Poso to address the problem.

18. (SBU) Sayogyo Institute Poso, made up of student activists from the Bogor Agricultural Institute, have adopted Nobel Peace Prize winner Muhammad Yunus's micro-financing program as a method of stimulating social interaction and trust between communities. Funded through September 2007 by the Dutch organization "Conaid," the Selaras project deploys activists to live in seven villages around Poso to act as facilitators to develop small businesses and find solutions to local problems. With an overall budget of USD 8,000, through loans of Rp 500,000 (USD 53), Selaras is working with 300 women to fund kiosks, buy fertilizer, or create other commercial opportunities. Charging an administrative fee of 2% for the total loan, the money is reinvested in the community as the loan is paid off, allowing other members of the community to take advantage of the program. The organizers maintain that as villagers from different communities work together to fight the common enemy of poverty, inter-religious conflict will be avoided.

Cocoa is king  
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¶9. (SBU) A number of interlocutors urged American investment in the cocoa industry. Central Sulawesi's small Hindu community, approximately 2,000 ethnic Balinese families who migrated to Central Sulawesi in the 1980s, have prospered through investments in plantations of cocoa and rice paddy. Travelers can see small farmers spreading out cocoa to dry by the roadside. Activists suggested that international donors could supply modern drying machines to local villages in a bid to improve the quality of the cocoa and increase rural prosperity. The Regent had similar ideas, suggesting international investment in a cocoa processing plant that would allow local farmers to attain higher profit margins.

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